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THE INFUSION OF SOCIO-POLITICAL IDEAS INTO THE LITERATURE OF GERMAN ECONOMICS¹

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I

"First of all, however, *pauperism* directed the attention and sympathies of all cultivated people to the condition of the laboring classes, and, since the disturbances among the spinners in Silesia and Bohemia, not merely produced in the different parts of Germany unions for removing the difficulties, but also dwelt with increasing insistence upon an answer to the great general question: 'What social reforms does the growing chasm between the poor and the rich demand, and what duties does the right of possession impose?' Most notable is the fact that the men who, in other respects, are regarded as the leaders in the science of national economy: Hermann, Rau, Nebenius were silent over most of these open questions, and the practical men of the people who were

¹ *Das Eindringen der sozialpolitischen Ideen in die Literatur*: a monograph included in the second of the two volumes published in 1908 in recognition of Professor Schmoller's seventieth birthday. The general title of the volumes is: *Die Entwicklung der deutschen Volkswirtschaftslehre im neunzehnten Jahrhundert*. The survey afforded by the paper has important indirect bearings upon the subject to be discussed at the December, 1912, meeting of the *American Sociological Society*. Professor von Philippovich has kindly authorized publication of this translation. A few passages have been condensed and some of the notes have been omitted or abbreviated.—ED.

immersed in business life, or the newer generation of political literati, almost exclusively occupied the arena."

Thus wrote Bruno Hildebrand in the year 1848 in characterizing the attitude of German national economic science toward the great questions of the time.¹ And yet at that time Germany also already had a labor movement and a socialistic trend which could no longer be disregarded, especially since the new theory of society had in France already led to bloody conflicts and threatened to arouse new ones. "To be sure, there have always been a few political romances and utopias," wrote Robert von Mohl a few years later, but "it is something new that sympathy with such a theory is no longer accounted as a sign of mental disease, but people openly acknowledge themselves to be socialists, as though it were a rightful and honorable standpoint, just as in other connections one was a realist or nominalist, a Kantian, or a Hegelian, a moral philosopher or a member of the historical school. It is finally new that many journals and fugitive publications exist which add to the currency of that way of thinking, and bring it to consciousness not only by direct teaching but especially by interpreting all occurrences in the manner of the socialistic party." It was evidence of no great degree of perspicacity that the new way of thinking did not earlier receive attention. There were symptoms of it which should have been observed before the French civic upheavals of 1848 caused vague ideas quickly to ripen into deeds. The gradual dawning of the new conception of human relations then began tardily to be noticed. From that point on, to maintain an indifferent or repellant attitude could be permitted to neither the practical statesman nor to the theorist. "It would have been crime or complete callousness."²

In fact, at the middle of the nineteenth century all those thought tendencies were already present which constitute the conception of the world and the economic system of socialism. The writings of the French socialists, which combine lively fancy and strong feeling with a wonderful wealth of ideas, had been

¹ *Die Nationalökonomie der Gegenwart und Zukunft*, 1. Bd., Einleitung.

² "Gesellschaftswissenschaften und Staatswissenschaften," *Zeitschrift für die gesamte Staatswissenschaft*, 1851, pp. 7-10.

translated into German. L. Stein,¹ K. Grün,² Biedermann³ had bound these in their representations into systems and had made them intelligible; Rodbertus,⁴ Marx,⁵ Engels⁶ had already spoken out their basic ideas. Gall, Weitling, Hess, Grün had taught with energy and with agitating zeal a partly home-grown and partly French socialism. Marlo's system had appeared.⁷ There is no socialistic doctrine of essential significance, no socialistic theory of general industry, of historical development, of the state, of law, which had not already been spoken out at the middle of the nineteenth century, and had not been applied in criticism of the existing societary and industrial order; yet German national economic science did not regard it as necessary to reach an understanding with these doctrines. In Rau's *Archiv der politischen Ökonomie*, which appeared from 1835 to 1853, we find not a single monograph which concerns itself with socialism, with socialistic literature, or with the problems proposed by the same.⁸

Among the works reviewed in all these years were only a few on the condition of factory laborers: (Engels, Villermé, Taylor). The *Tübinger Zeitschrift für die gesammte Staatswissenschaft*, founded

¹ *Der Socialismus und Kommunismus des heutigen Frankreichs*. Ein Beitrag zur Zeitgeschichte, 1842 (ein Band); zweite Auflage, 1848 (drei Bände): 1. *Der Begriff der Gesellschaft und die Bewegungen in der Gesellschaft Frankreichs seit der Revolution*; 2. *Der französische Sozialismus und Communismus*; 3. *Anhang: Die sozialistischen und communistischen Bewegungen seit der dritten französischen Revolution*.

² *Die soziale Bewegung in Frankreich und Belgien*, 1845.

³ *Vorlesungen über Sozialismus und Soziale Fragen*, 1847.

⁴ *Zur Erkenntnis unserer staatswirthschaftlichen Zustände*. Erstes (einziges) Heft, 1842. *Soziale Briefe an Kirchmann*, 3 Hefte, 1850-51.

⁵ (Marx and Engels), *Die heilige Familie. Gegen Bruno Bauer und Konsorten*, 1844; *Misère de la Philosophie*, 1847; (Marx and Engels), *Das kommunistische Manifest*, 1848; *Der achtzehnte Brumaire des Louis Bonaparte*, 1852; *Enthüllungen über den Kommunistenprozess zu Köln*, 1852.

⁶ *Die Lage der arbeitenden Klassen in England*, 1845.

⁷ Marlo (K. S. Winkelblech), *Untersuchungen über die Organisation der Arbeit oder System der Weltökonomie*, 1850 ff.

⁸ The essay by R. Mohl on the disadvantages which both the laborers and the civic society itself suffer from the factory form of enterprise, and on the necessity of taking measures with reference to the same, which appeared in 1835 and had no influence, is not in connection with the socialistic literature.

in 1844, also pays little attention to the social questions.¹ It is beyond doubt that German national economy in the first half of the nineteenth century was suffering from a poverty of ideas. Born from a union of the old *Cameralistik* with *Eudämonismus*, and the philosophy of the enlightenment, German national economy alternated between technico-administrative considerations and vague endeavors for welfare. It exerted no influence even upon the development of the doctrine of individual freedom, which strove for control in industrial politics, and which was accepted as a part of the economic theory of the period. The intellectual promoter of the movement against the *Polizeistaat* in Germany is rather Wilhelm von Humboldt, whose *Ideen zu einem Versuch, die Grenzen der Wirksamkeit des Staates zu bestimmen*² exerted an influence beyond the boundaries of Germany; and the leader in the field of industrial politics is the publicist and Germano-Englishman Prince-Smith.³ The merits of the German theorists in national economy of this date reside merely in the formalistic elaboration of the theory of general industry, in the sharper discrimination of the fundamental ideas, in a systematically clearer articulation and elaboration of the doctrines of the English and French classicists. In the practical questions of industrial politics, thanks to their cameralistic antecedents, they exhibited greater readiness to champion intervention on the part of the public administration for the removal of the evils of free trade as opposed to the extreme representatives of individualism. They consequently occupied a sympathetic position with reference to private endeavors to mitigate the evils, to lessen the great inequalities in providing the different classes of the people with material goods,

¹ The volume for 1846 contains an essay on socialism by Stein, that of 1847 another on labor unions by Fallati. The problems of a social policy much discussed among publicists are not noticed. Among national economists only Schüz treats, in the volume 1844-45, certain fundamental theoretical questions of politics and social ethics.

In later volumes only philosophers treat the same (Warnkönig, Vorländer, etc.).

² Published in book form in 1851, after it had already appeared in parts.

³ *Ueber Handelsfeindseligkeit*, 1843; *Ueber die englische Tarifreform und ihre materiellen, sozialen, und politischen Folgen für Europa*, 1846. Compare on Prince-Smith, Becker, *Das deutsche Manchesterthum*, 1907.

and in improving the situation of the factory laborers. They assert, however, that through the apprehension of such failings "the fundamental truths of economic theory are not shaken," that its circle of generalizations from experience is merely subject to extension in particulars. With respect to these details industrial politics may not ignore the challenge "to seek new governmental measures for application to new evils or needs."¹ Of a fundamental determination of industrial policies through the new facts of experience, viz., the turning of society into a mass of factory laborers, and the operations of "free competition," there is not a word. Such a view would go to pieces in collision with the mass of the old doctrine. Accordingly, German national economy passed by the signs of the times without attention. The noise of the street, the strokes of the scourge of the agitating publicists, the historical and philosophical observations of the critics of society affected it as little as they would the astronomers who trace out in the orbits of the stars the eternal laws of nature.

German national economy was not dragged forth from that self-conscious repose until the powerful agitation which was contained in the socialistic literature and the socialistic reform movement penetrated its territory in a circuitous way. This invasion occurred from two sides, namely: from the side (1) of the *philosophy of law* and from the side (2) of *ethics and the historical conception of society*. Economic theory had not manifested an ability to triumph over the new and strange phenomena of a critique which attacked one of its fundamentals—individual property and free competition—or to assimilate the elements of this criticism. It had to be admitted that the older theories had defects and called for extension. There was a demand for an enlargement and deepening of scientific investigations of the industrial relations of human beings, whose peculiarly independent life was now beginning to be recognized, and for an evaluation of the same on the basis of firm philosophical and ethical principles. Such a new treatment of private property and of the relationships in industry on the basis of a philosophy of law emerged in close

¹ Rau, *Volkswirtschaftslehre*, 4th ed., 1841, p. 41. To the same effect in the preface of his discussion of Sismondi.

connection with a new conception of human community. Socialism had brought about recognition of this community with that of "society," and it had promoted the demand for ethical standards with the requisition that the industries of men should be judged in accordance with the whole sum of local, temporal, psychological conditions which are created by historical development. For the interpretation of the change which entered into German national economy in the second half of the nineteenth century, and for an understanding of the tendency founded upon the same which we now call the *social political* tendency, we must analyze more particularly these two scientific factors.

II

One of the most valuable scientific results of the socialistic literature, and of the discussions with reference to it, is the perception that the community of men which exists along with, and outside of, the state, built upon likeness of blood, of race, of economic, intellectual, and religious interests, leads a life which is peculiar, independent, and in a high degree detached from the state. It is this community which we designate as "society" when we consider it as a unity, and when we observe its own organic life. Hegel was the first in German moral philosophy to call attention to this, but in so doing he had in mind rather the conception of the individuals bound together through intercourse as a unity, and not the real actuality of the articulation of the *Volk*.¹ The differentiation between society and state as two circles

¹ The particular passage to be noted in this connection reads as follows: "Civic society is the difference which steps between the family and the state, although the completion of the same occurs later than that of the state; for as difference, this society presupposes the state, which the society must have before itself, as something independent in order to exist. In civic society each is an end unto himself, everything else is nothing to him. But without the relationships to the others he cannot attain the compass of his purposes. The others are for him means to the end of his particularity. Accordingly a system of all-sided dependence is founded, in which the subsistence, the weal of the individual and his legal being is woven into the subsistence, weal and rights of all, is based thereupon, and only in this interdependence is actual and assured."—*Rechtsphilosophie*, 1820, pp. 246-47. Philippovich adds: "The conception of civic society is of course much older. Goethe used it in 1774, in the *Leiden des jungen Werthers*, in the sense of a community ruled through laws and welfare somewhat as the word *bourgeoisie* was applied later."

varying in compass and kind was more completely grasped by Ahrens. He saw in society "the unified totality of all life-spheres operating for the cardinal purposes of human life." He pointed out, further, that each of these spheres had its own organism of functions and organs.¹ Accordingly the societary organism embraces the organism of legal life, of the state, of religious life, the church, the organization of industry and of trade, "with its progressively energetic and extended development," of instruction and of education, of science and of art. Among these life-circles, state and church have attained most independence and have taken the rest under their protection, guardianship, guidance, and control. In modern times, the endeavor of these life-circles after independence and freedom has grown constantly greater. It is, according to Ahrens, the task of the state, as the societary institution which has attained the relatively highest grade of development, to educate the others toward freedom and for this purpose to create the necessary limitations; but complete separation may never occur, *since the state is the legal organism of the whole human society*. Likewise, however, we should guard against making the state responsible for all the aims of life. This is the fundamental error of the socialists, who have properly turned against the previously negative formalistic doctrine of law and of the state. In their very endeavors, however, to bring into being a new societary organization, they have made the mistake of confusing state and society. Socialism directed its attack chiefly against the principle of competition; but this principle is in itself, according to Ahrens, a necessary consequence of freedom, and an indispensable promoter of all industrial progress. This freedom should, however, be joined with a principle of order, and therefrom results the conception of *organization*, which combines the two principles. "This organization can and should be called forth by the state, inasmuch as the state sets up the general legal condition for the regulation of the relationships among all the participants in labor, employers and employees, in their various gradations, but along with these

¹ Ahrens was probably the first who scientifically emphasized this difference: *Cours du droit naturel*, 1839, 2d part (f. Mohl's review, *Heidelberger Jahrbücher*, 1840, No. 3); more at length, in the *Organische Staatslehre*, 1850, pp. 48 ff.; *die Rechtsphilosophie*, 4. Aufl., 1852; *Juristische Encyklopädie*, 1855, pp. 107 ff.

general conditions permits also in every relationship a certain play of freedom, and in the exercise of this freedom the conditions which are most agreeable to all are fixed upon through agreements and contracts between the parties." In such an organization, endeavors after association in all circles will be accorded legal rights. The significance which this societary organization, supported, regulated, and promoted by the state, possesses for overcoming the evils of the times, demands that its life-conditions shall be investigated by a special science, the science of society (*Gesellschaftswissenschaft*), which, however, shall not be limited to the economic realm only, but must comprehend all realms of human activity. This investigation of the nature of man and of the principal relations of human life constitutes, then, the point of departure and the basis of philosophy of law, the task of which is to exhibit in these life-relations the concept and the task of the law and of the legal order.¹ Wherein this task consists has already been indicated by what has been said, viz., the preservation of the freedom of the individual within the setting of an order which respects the interests of all. The internal structure of "society" is only casually touched upon by Ahrens in the course of his treatment of the rights of property. Stein, on the other hand, in his presentation of French socialism and communism, makes it a matter of special importance to show that the essence of society is formed by the economic conditions of life.² Men are bound to one another through the division of labor. The labor of the one becomes a condition and presupposition of the labor of another. The ordering of human labor is consequently a necessary presupposition of the prosperity of all. Out of this ordering of labor, which confronts us as a sub- and super-ordination, arises consequently an ordination of the distribution of goods, in which for the individual the degree and position in which he participates in the labor of all determines also the part and the

¹ *Die Rechtsphilosophie*, 4. Aufl., 1852, Einl., chaps. V and VI.

² *Der Sozialismus und Kommunismus des heutigen Frankreichs*, 1842, is so advanced as to contain emphasis of "society" as an independent arena upon which the social movement has its standing-ground. Stein does not have an exposition of the nature of society, however, until he makes it an introduction to the history of socialism in the second edition of his work, 1848.

degree of his share in the distribution of goods. In this way is determined the degree in which he can subject goods to himself, can possess them, can have them as property. But the possession again creates the opportunity to arrive at a better position with each distribution of goods. Thus arise societary classes which are separated by the antithesis between possession and non-possession. This stratification has, in the most recent period, through the transformation in the ways of carrying on industry, through the use of machinery and the development of great industries, as well as through the operation of free competition, been intensified and brought into the consciousness of the classes. The result of free competition was: "The whole class of the non-possessors has been defeated in its struggle for possession. It has through this free competition lost the necessary condition of the independence of the individual, and is daily losing it more. In the whole realm of industry there appears the division of the ruling and of the subjugated, of the possessor and of the non-possessor, and instead of the expected equality of the classes, competition has produced the incessantly increasing inequality of the same, the decisive victory of capital over the mere ability to labor."¹ This is not an accidental but a necessary consequence of competition. It has brought things to the pass that the great class of non-producers, sunken into permanent dependence, is filled with the consciousness of its situation and is rising up against it. This class demands its share in possession on the grounds of the principle of equality and of personality, the fulfilment of which depends upon control of goods. Thus the proletariat of the present has come into existence, and the spirit with which it is filled is "perhaps the weightiest fact of the whole modern life of society."² We see that through property the ordering of the community of men comes to be permanent, that it establishes the basis for the life-task and the life-philosophy of the individual in the education that it imparts. This ordering is protected by the law, it receives a fixed form, and this latter assigns a fixed course from the start to the career of each individual. This it is to which we give the name "society"

¹ *Sozialismus und Kommunismus*, 1. Aufl., p. 119.

² *Ibid.*, 2. Aufl., 1. Bd., p. 47.

(*Gesellschaft*).¹ It is dominated by the laws which control the utilization of possessions, of capital in promotion, or, in other words: "the ordering of society rests upon the lordship of capital over available labor without capital."² This fact of the proletariat "compels us to promote the manifold and frequently repeated observations about human society into a science of society; this science of society must teach us what the proletariat is, what it wants, and what it wants to be."³ A consideration of the relationship between society and the state shows us that always the societary position was a condition of sharing in the exercise of the civic power, so that the constitution of the state always reflects the constitution of the society, and the history of society is the basis of the history of constitutions. Until now the possessing classes alone have had a share in the political power. At present the proletariat is also striving to bring its principles into practical application through the possession of this power. The contradiction which must result from this struggle between the possessing and the non-possessing is absolute; it cannot be resolved through the principle of personal freedom. There is only one power which stands above these antitheses of society, that is the monarch; "hence the present and future of the state will rest upon the monarchical principle."⁴ In his system of *Staatswissenschaft*⁵ Stein attempts to find a deeper foundation for the theory of society, and to fix the limits between it and the related sciences such as *Volkswirtschaftslehre* and *Staatslehre*. As he makes the analysis, the first science shows how the individual and the society subject nature, the world of goods, to their purposes. In the state, the totality of the individuals is fused into a willing and working unity as a personality, which receives its peculiar form through the element of its society, and therewith of its system of controlling goods (*Staatsverfassung*), to which, however, at the same time, both realms, as objects on which the activity is exercised, are subordinated (*Staatsverwaltung*). The society on the other hand

¹ *Sozialismus und Kommunismus*, 2. Aufl. 1 Bd., p. 23.

² *Ibid.*, p. 39.

³ *Ibid.*, p. 13.

⁴ *Ibid.*, pp. 57 ff.

⁵ Two vols., 1852-56. Vol. I, *System der Statistik, der Populationistik und der Volkswirtschaftslehre*, 1852; Vol. II, *Gesellschaftslehre*, 1856.

presents a system of the inter-dependencies of the individuals, and at the same time a community order which differs from that of the state. The latter contains a community of the will, the former a community of the life which rests upon the basis of the property system (*Güterwesen*), but at the same time a community of the spiritual life constructed by the community of manners (*Gesittung*). In his theory of society Stein analyzes these two bases of society, the societary ethic and possession as material basis of society. Degree and kind of possession determine the societary order; that is, the kind of possession determines the societary form, the quantity of possession the societary classes. The latter surpass the former in importance, since the structure of classes manifests the process through which, by virtue of distribution of possessions, distribution of all rights, goods, and functions in society takes place. We find in history higher and lower classes as antitheses between large possessions and no possessions, and between these the middle class. The history of society is a struggle between these classes, and the best order of society is that in which transition from the lower into the higher classes, that is, an ascending class movement, is possible.

Stein's theory of society was not further elaborated, although in it many notable relationships were brought to light, and especially the principle of the class struggle, a still controlling conception of societary development, was strongly emphasized. Meanwhile many stimuli started with him, and he has without doubt strongly influenced the development of the science.¹ Stimulated by Ahrens and Stein, Mohl also took up the idea of society as an independent vital unity of men.² In his view society is the unification of the several types of human association naturally formed around the nucleus of some definite interest, the community of

¹ In 1866 Schmoller wrote of *Das System der Staatswissenschaft*: "It contains both genius and abstruse scholarship, and has done most to place Stein in the position of an author whom nobody but specialists reads, whom consequently others may plunder with impunity and without any qualms of conscience about ignoring him or attacking him."—*Zur Litteraturgeschichte der Staats- und Sozialwissenschaften*, 1888, p. 116 (aus *Preuss. Jahrb.*, Bd. XIX).

² "Gesellschaftswissenschaften und Staatswissenschaften," *Zeitschrift f. d. ges. Staatswissenschaft*, 1851.

the stock and race, the social position (nobility), the occupation, possession, religion, etc. These associations should be the subject-matter of a series of sciences, one of which should be the science of social utility (*Gesellschaftszweckmässigkeitslehre, oder Sozialpolitik*), the theory of the means of attaining the internal purposes of the several associations, in contrast with alien individuals, in relationship with the state. The significance which he ascribes to the facts of society is great and decisive for cultural and civic development.

The new conception did not lack opponents, and it is very notable that, deep as it went in its influence upon the development of the theory of general industry, it did not lead to the founding of a separate science. The general discussion about society grew quiet in the fifties, and only one successor put in an appearance in the person of Karl Dietzel, who in the sixties undertook in his history after the manner of Stein an analysis of the great unities which determine the cultural life of men. In his case the position which he assigns to the state is especially important. He ascribes to it the task of removing the bonds which embarrass the economic energies, through the antitheses which are operative in society. According to him, only when all individuals are brought, as like members of a great whole, into an all-comprehensive interrelation, will the beneficent influences of association and co-operation fully develop.

The idea of a community which is born out of inner necessities of the physical and spiritual life of men, and which possesses an independent unconscious development, had already in a high degree occupied the attention of French and English authors in the eighteenth century,¹ but the overwhelming power of the state was so great that this decisive sort of society was chiefly considered. Political science (*Staatslehre*) is the science of the relation of the individual to the state and of the nature of the civic power. By the side of it, the thought of industrial relationships was made to contemplate the combination of individuals through the economic interest, but in it the *Volk* was considered as in its atoms a homogeneous mass of contiguous individuals, as a totality without

¹ Güntzberg, *Die Gesellschafts- und Staatslehre der Physiokraten*, 1907.

organic articulation. This atomistic conception which recognized only state and individuals was greatly strengthened by German philosophy, by Kant and Fichte, and became so powerful that in the nineteenth century reference to independent life-circles which stand between the individual and the state had the effect of a discovery. "The late discovery of a great new thought and the gradual recognition of the same by contemporary science is a phenomenon of our own time and in a highly notable example, that is, it occurred with respect to the idea and the science of society." Thus wrote von Mohl.¹

From the Greek philosophers and historians down, there was no interruption of the series of those who grasped the idea of the state. The literature is almost unlimited. Now something completely new appeared. Whereas earlier all wishes for improvement referred almost exclusively to the state, and even minor changes in the civic order were followed with intense expectation, now improvements of *society* were demanded, the state now began to be spoken of as merely a consequence of society or of significance only as a means of exerting power. Constitutional questions in this connection had no longer their earlier interest. "The question monarchy vs. democracy is perhaps discussed with indifference where 'the right to labor' is the head of Medusa." Mohl therefore praises Stein as "one of the first to attempt scientifically a concept of society."² Mohl cannot understand why political economy at least did not lead to the complete recognition of society and of a special societary science. The theory of industry treats the industrial question as something outside of the state, but under the presupposition of an ordered human intercourse. "So soon as a peculiar societary life was recognized the significance and the logical position of this science was clear, and more than that, unless such a science was developed, and if, instead of it, there was retention of the traditional conception of the state and civic science, no valid division was possible.³ It is a merit of the socialists and of the socialistic literature to have drawn the attention

¹ "Gesellschaftswissenschaften und Staatswissenschaften," *Zeitschrift für die gesamte Staatswissenschaft*, 1851, p. 7.

² *Geschichte und Literatur der Staatswissenschaften*, 3. Bd., 1858, p. 326.

³ "Gesellschaftswissenschaften und Staatswissenschaften," p. 14.

of science to the societary phenomena. "No longer does anyone, for example, fancy that he understands all the relationships and the actual significance of the manufacturing population when he has informed himself about the labor contract customary in the country, and any of its more particular specifications for the factories, and on the other hand, about the participation of the laborers in voting for members of popular assemblies, about their taxes and their legal rights of citizenship. We all now know that the condition common to these millions has begotten among them, and, indeed, far beyond the boundaries of the particular states, a community of manner of life, of conceptions of life, of interest and of passion, consensus in virtues and vices, a like attitude toward other circles in the *Volk*. We all now know that through this so widely extended peculiarity a quite new element has come into public life, largely unfortunate in all its relationships and consequences for those of other social groups; and that it is quite independent of the civic form, and until now only in a quite external way reachable by the laws of the state."¹

Other writers of repute agreed with von Mohl. Thus W. H. Riehl: "Every period finds one or two great truths, one or two general principles with which it conquers its own world. Such a principle, among others, is found for our epoch in the idea that civic society (*bürgerliche Gesellschaft*) is by no means identical with political society; that the idea of "society" in the narrower sense, often, in fact, as it may lead over into the idea of the state, yet theoretically is to be distinguished from it."² This conception,

¹ Mohl further expresses these views as early as 1840 in his discussion of Ahrens *Cours du droit naturel*, in the *Heidelberger Jahrbücher*, Jahrgang 1840. "We shall gradually understand that the doctrines about the ways and means of organizing the civic power and its organs are only child's play in comparison with the fundamental principles which must have as a consequence a completely new organization of all civic society, an entirely new attitude of men with reference to one another, when these principles come into actual life" (p. 490). "Fifty to sixty years have sufficed to produce the millions of factory laborers and to bring about their corruption. A briefer time may suffice to set them over against the other elements of society in firm battle array." "Every voice which is raised in opposition to these profoundly immoral and materially dangerous consequences of our competitive national economy is to be regarded as a benefaction" (p. 501).

² *Die Naturgeschichte des Volkes als Grundlage einer deutschen Sozialpolitik*, 2. Bd., *Die bürgerliche Gesellschaft*, 1851, p. 4.

was adopted by many authors.¹ From that time on society was held to be a peculiar organism living its own life. Its manifoldness of form is also recognized, while attention is especially held by the mighty changes in the realm of industry, and there is increasing consciousness of the reactions which are exerted from the industrial relationships upon the formation of human life in law, morality, state. Hence society rouses attention first of all as the product of industrial facts. As early as 1840 Mohl gave expression to this, and since that time the conception constantly appears that the political movement will fall into the background as compared with that which is evoked by industrial contrasts. Stein assumed that the time of purely political movements in France had passed. "As at the end of the last century a class of the *Volk* revolted against the state, so now a class of the same *Volk* aims to revolutionize society, and the next revolution can be only a social one."² Mohl and Riehl took over this idea for Germany.³

"It is consequently easy to understand that the science of society puts in an appearance almost exclusively as social economy. It would be less if it attempted to be more. It is the contrast between poor and rich which now, more than every other, splits contemporary society. . . ." "Therein consists, in spite of all their ill-balance and confusion, the cardinal merit of the real socialists, that they have not merely, in the sense of earlier teachers of industrial theories, fixed their eyes upon the order of procedure in the production and distribution of goods, but they have rather put the emphasis on *the personal side of economic life or man himself*, and hence the reactions of all the relationships of labor and of

¹ For example: Fröbel, *Soziale Politik*, 1847; Hasner, *Das Verhältnis der sozialen zur Staatstheorie*, in Haimel's *Magazin für Rechts- und Staatswissenschaft*, 1850 (Hasner used the idea of society in his *Filosofie des Rechts*, pp. 81 ff., and in his *System der Politischen Ökonomie*, 1. Bd., 1860, p. 22; Heysler, *Die Gesellschaft und ihre Stellung im System des Rechts*, in the same journal; Widmann, *Gesetze der sozialen Bewegung*, 1851; Mundt, *Die Geschichte der Gesellschaft*, 2. Aufl., 1856.

² *Sozialismus und Kummunismus*, 1842, preface.

³ Riehl: "The social revolution waits for its Luther, in connection with whose thesis the celebrated proposals of a German constitution will be forgotten. . . . In our political struggles an armistice is today or tomorrow possible; in the social struggles there will be no armistice, to say nothing of a peace, until long after grass has grown over our own and our grandchildren's graves."—*Die bürgerliche Gesellschaft*, p. 4.

business upon the economic and moral conditions of the laboring population." With these words, Schulz-Bodmer correctly indicated the point at which national economy must draw for its realm the consequences from the new perceptions.¹ Thus the range of its research was extended, since it was under the necessity of giving more attention than before to the facts of the industrial conditions; and a new viewpoint was thus forced upon the attention of national economy. When once man with his desires, his personality, and his ideally unlimited possibilities of development was put in the foreground, thereupon also the legal order, as the power protecting personality by limiting it, was automatically placed under investigation. Hand in hand with discussions about the essence of society went, consequently, investigation in the philosophy of law.

III

The historical school of jurisprudence had taught scholars to regard the law as a product of the whole life of the *Volk*. Like language and morality, it arises not through volition and reflection merely. It is not a conscious creation of men, but an organ that has come into existence historically, a member of the total life of the *Volk* which can be understood only in close correlation with the whole national life. Valuable as this objective conception of the law was, in antithesis with the individualistic conception of the earlier theory of natural rights, yet it could not completely satisfy, because it did not regard the fact of the conscious elaboration of the law upon the higher planes of civilization, and furnished no criterion for criticism and further development of existing law. But now the very social movement itself showed that in the larger

¹ Article "Kommunismus" in the Rotteck-Welkersche *Staatslexicon*, 3d ed., 1850, p. 678. Stein expressed a similar idea, that national economy must put man in the foreground, when he said: "National economy has hitherto completely disregarded the attitude of the laws of industrial life to the individual and his welfare; it has completely subordinated the individual life to the life of the whole, and has never descended from the contemplation of this whole to that of the individuals who constituted this whole." He reasons that socialism would not fill out this gap in previous national economy, but it would be an occasion for dealing with it, because national economy would found a new science, the object of which would be the individual welfare in the community, the science of *society*.—*Sozialismus und Kommunismus*, 2. Aufl., p. 212.

part of the *Volk* existing right was felt to be wrong,¹ and a change of the law was promoted by the endeavor to develop the personality, to bring human dignity into its own, independent of possession and wealth. That which as a matter of right should be, cannot be determined from historical experience alone. In that experience there works at the same time a permanent element—the longing of man for the just, for the realization of a principle shaped by the essence of human personality, and by the ultimate destiny attributed to the same. The law always asserts itself as a limitation of the life-activity of the individual, which limitation, however, springs from the community of men, from their reciprocal relationships, from the restrictions of the realm of material things, and it places the relationships of men to one another and to material goods under an order which is supposed to assure the realization of the life-purposes of the individual as well as of human society. Man is therefore to be considered by the philosophy of law not merely as a detached person, but as a part of a collective life; and the law must determine his position therein not merely formally but with reference to its content. Starting from such views, Hugo had already expressed the idea that private property was in contradiction with the nature of man, that at last private law must entirely merge into public law.² The social conception of right was made deeper by K. Chr. Fr. Krause,³ and particularly by his pupils Ahrens and Röder. Ahrens in particular struck out the path of today's socio-political conception of society in that he regarded the fundamental facts, civic equality, freedom, property, association, the state and its relation to society and to the individuals from a unitary standpoint dominated by the thought of the weal of all. His philosophy of law may indeed be characterized

¹ The ambiguity of the German word *Recht*, which means both right and law, is a constant aggravation when one is attempting to follow arguments which admit both the juridical and the ethical factors. The transition from the one meaning of the term to the other cannot be paralleled in English. For the Germans this fact is both a convenience and an inconvenience. It has undoubtedly perpetuated obscurities which would have been eliminated from German thought if the passage from the concept "right" to the concept "law" were not so fatally facilitated by the use of the same word for both ideas.—A. W. S.

² *Naturrecht*, 2. Aufl., 1799, p. 236 f.

³ *Abriss der Philosophie des Rechtes*, 1828.

as laying of foundations for social politics. Against the earlier theories of the philosophy of law he enters the objection that with all of them the will—whether as the individual will or as the will of a group emerging in custom or morality, or the assumed will of God, always, however, interpreted by man—is the point of departure in determining law, but that no earlier system had furnished a supreme principle as a norm of the will and a determiner of right. This principle of will, he contended, had its good element, namely, the demand that freedom should be preserved to human personality. This principle can nevermore be suppressed. It can never be the supreme or controlling factor, however, because it contains in itself no rule, no criterion, and thus leaves everything to the caprice of the individual. In the concept of law, on the other hand, there is first of all the idea of an objective reality which must be brought into a relationship to an essential objectivity. The right must consequently be sought in a special mode of the objective realistic order of the life-relations, the investigation of which is a task for thought and cognition, the correct and just shaping and development of which is a requisition on the will.¹

The ideas of right which most powerfully move men, and from the realization of which in the legal order the degree of the development of personality depends, are those of equality and freedom of the person and of property. "*Equality* is an idea and a feeling which dominates all the ideas and feelings of man in his social relations, and which should spread around him that atmosphere of sympathy which is for men in general the condition of necessary aid and support." All men are joined together by the bonds of solidarity. Wherever equality can be made into a rule without destroying the individual and personal element, it has a right to precedence which is unquestionably recognized by reason. On the other hand, that material equality which is demanded by the socialists signifies an impossibility. It presupposes the complete sacrifice of individual freedom to the mechanical rule of the state or of the society, and must still have as a consequence inequality of enjoyment, since the needs of men are various. From that principle of equality follows the demand that the laws shall set

¹ *Rechtsphilosophie*, 4th ed., Introduction, chap. VI.

up for all men alike the limitations which will make it possible for each to live as a man, and independently to develop his talents; that is, a right to instruction, to education, to the possibility of acquiring by his own activity the material and spiritual means for further development, in the case of children and feeble persons, the right to help and support from the community, the state, or special benevolent societies as representatives of the community. The principle of equality demands the equality of dignity of all vocational activities, no privileges, no arbitrary external differences which would raise one calling above another, but on the other hand the inequalities which arise from the variety of the purposes, of the natural factors, of the application of talents, are to be recognized. This would involve the disappearance of inequalities resting upon ignorance, oppression, injustice. Mankind has passed through three stages of inequalities: the caste system, slavery, the feudal system; and it is now experiencing the fourth—pauperism. This may be regarded “as the last form of the inequality of man, an inheritance which the injustice and the defective organization of the past have bequeathed to modern society.” Reason will not rest until the right of all men to the means of existence and development is recognized.¹ “It is impossible that a condition of society can be permanent in which one part lives in superfluity and does not even know how to enjoy its riches in a worthy manner, while another class of men, bowed down by misery and tortured by anxiety, drags out life in a condition which brings it close to the brute, which cultivates low propensities and wild passions and is a permanent source of vice and crime. It is unjust for men with the best intentions, with the most zealous wish to support themselves by labor, to be the victims of an unfortunate, unwise, and defective organization of society, and consequently the state as administrator of justice has the task of adopting in this connection the immediate and mediate measures for securing to them at least the essential physical and moral conditions for a human existence, and no longer to permit mankind, contrary to all the laws of religion, morality, and justice, to be outraged in an increasing number of its members.”²

¹ *Rechtsphilosophie*, 2d ed., p. 185.

² *Ibid.*, p. 186.

The second quality involved in personality is freedom, that is, the ability in a rational manner to control the various means of development which put us in a situation to attain in the general order of things the purpose of our existence. While upon the first plane of human development the conception of freedom consists in an ability to follow the impulses of the senses, upon a higher plane man is guided by his understanding. He then appraises the advantages or disadvantages of a transaction according to the personal interest. With this concept of freedom, "each looks upon himself alone as purpose, and instead of regarding himself as a particular member in the great economic body, each is tempted to regard himself as the middle point, as the heart toward which free social activity must be directed." He sees in the social order, not an essential condition of the existence of society, but a hindrance to his freedom. Every social unity is for him an evil. Accordingly freedom becomes for him a demand in the interest of the abstract individuality. This condition of abstract and individualistic freedom characterizes present society. It has done much good through the enfranchisement of emulation, but we are now beginning to understand its disadvantages and to feel the need of an organization in which personal freedom may put itself in better accord with the life of all. This plane of reasonable harmonious organic freedom will be reached "when we come to the conviction that society is not an aggregate of individuals which, arbitrarily created, exists under the laws of individual caprice, but that it constitutes an organic whole in which the particular members are articulated by a higher life-principle; and further, when man has come to recognize the totality of purposes which are prescribed to him by his reason and which he wants to gain by virtue of his freedom in the community." Then will freedom be understood as the means which should always be applied to a rational end; then there will be an essential solidarity between all the parts of society. This harmonious freedom must liberate society from the abuses of abstract freedom, "and put in the place of rivalry and competition a genuine organization of all realms of human activity, in which the rights of personality will be in accord with the higher laws which ordain the application of

common conditions and means to the attainment of the destiny of all."¹

The third basic characteristic of man is the capability of combining with his kind for all the rational purposes of human life, the associational ability (*die Associationsfähigkeit*). It rests in part upon natural instinct, in part upon reflection of the understanding, in part upon the reason striving for harmonious organization. The combinations which rest upon intelligent reflection develop especially in the systems of individualistic freedom, they arise from calculation and the perception of the advantages which they afford to the special interests. They rest, consequently, upon selfishness and promote the selfish impulses. They work, consequently, not in the direction of conciliation, but by way of intensifying contrasts and by making inequalities greater. The true need of the present is, consequently, search for ways and means of "emerging from this condition of opposition, of struggle, and of competition, and of organizing all needs and social elements according to the principles of co-ordination and harmony."² Human society should take shape corresponding with each of the chief life-purposes and the different planes of personality, in special organisms, which organisms should be joined to one another and ordered by the state in their just relationships. Always, however, personality and freedom must remain the basis. The societal bond may limit them, to be sure, and may guide them in their activity toward the societal purpose. It must, however, respect them in their peculiarity and each individual must be assured of access to all the other ranges of life.³ Association therefore does not consist in destroying the interests of the individual through the interests and the purpose of society. "The association which excludes individualism is quite as remote from communism."⁴

The weightiest consequence of this societal conception of the position of the individual is to be drawn in the realm of *property rights*. The definitions of property in the law books assign to the proprietor almost always an unlimited and exclusive usufruct

¹ *Rechtsphilosophie*, 4th ed., pp. 389-90.

³ *Ibid.*, 4th ed., p. 407.

² *Ibid.*, 2d ed., p. 209.

⁴ *Ibid.*, 2d ed., p. 219.

(*Gebrauchsrecht*) of the things of which he is proprietor. They nevertheless find themselves under the necessity of setting up many sorts of limitations which unconsciously contain recognition of the principle that the property must serve reasonable purposes. In fact, property consists of two elements, a personal and a social. History teaches us how great social ideas, like new thought in morality, religion, and politics, necessarily modified property. Property is, to be sure, a personal, original, natural right of each man, because his physical and spiritual development depends upon control over material goods. The state does not create property.¹ The state must, however, insure, guarantee, and regulate the rightfully existing property and the exercise of the right of property. For this right cannot be unlimited and cannot involve anything that can be harmful to the community. In the manner and the degree of these limitations is reflected the prevailing relationship between the individual, the state, and the society. This relationship varies with the stage of civilization. This right of influence is one of the weightiest means of extricating society from that condition of individualism and of dismemberment in which the individual looks upon himself as the unlimited lord of his actions, and of the things which he has made, and thereby overlooks the organic bonds which unite him to the community and lay duties upon him.²

In his review of the first French edition of Ahrens' *Rechtsphilosophie* Mohl prophesied that the book would make an epoch in France and in all the Romance states. In fact, the work went through several editions and has been translated into six languages. Of Germany, Mohl asserted that here "the most who cultivate, officially, natural law will not allow themselves to be disturbed in their peaceful possession of the teachings of Kant, Hegel, and

¹ This passage is a good illustration of the confusion inevitable until there is rigid reckoning with the different connotations of the term "property," e.g., (a) "property" in the sense of the external object possessed; (b) "property" in the sense of an adjudged *rightfulness* of the relation between possessor and the thing possessed; (c) "property" in the legal sense, i.e., the civic ratification and sanction of the judgment in (b), or more exactly the relationship established by that civic ratification and sanction.—A. W. S.

² *Rechtsphil.*, 2d ed., pp. 266-369, 4. Aufl., bes. Theil, zweiter Abschnitt.

Stahl, which alone can make wise unto salvation." It did not, however, fail to make an impression even in this class. The German version went through five editions and even appeared again in 1870. It unquestionably influenced the contemporary younger national economists, and even in recent times it has been treated with consideration, notably by Adolph Wagner.¹ In the philosophy of law Röder particularly has followed Krause and Ahrens. Particularly in treatment of the question of property, he breaks in the most decisive manner with the individualistic conception,² yet without accepting the socialistic ideas of the distribution of wealth. If the needs and the worth of each individual were precisely ascertained, and likewise the two corresponding items with respect to the aggregate of the population, that which belongs to each might be assigned to him by society. In simple community relationships of an intimate sort which could be readily surveyed, this way has been followed (the Jesuit state in Paraguay, the agrarian community of the Germans, the distribution of goods in ancient Rome). With the development of peoples, however, a societary distribution of material goods, even under the most favorable circumstances, can hardly occur even in theory, since all three decisive factors, namely the need, the means, and the number of people, are constantly changing. This appears to justify the present system, since it is left to each to get the value out of the product of his own labor, and in free commerce by means of contracts to assure the wage that he earns. But we must not forget that "aside from labor, favorable or unfavorable fortune also, in brief, accident, both directly and indirectly, and often in the most decisive way exercises an influence upon the distribution of material goods." This comes properly into the true light when we reflect that the acquisition of material goods through labor and the dependence of the total distribution of goods upon the labor of the individual is still dependent upon two presuppositions: "first, that every man is in a position to labor or not as he will; and second, that his confidence is justified, that under com-

¹ *Grundlegung der politischen Ökonomie*, 3. Aufl., 1. Theil, 2. Halbbd., pp. 872 ff.

² *Grundzüge des Naturrechts oder der Rechtsphilosophie*, 1. Aufl., 1843; 2. Aufl., 1860-63, 2. Bd., 5. Hauptstück.

pletely free exercise of all the individual forces, each available activity, each true merit will be able to win its corresponding recognition. If, however, we do not want to come into contradiction with all experience, we must remember that both of these presuppositions are to be regarded as, at most, rules the exceptions to which leave only a small margin. Merely a consequence of this is unquestionably the sharp antithesis in which we so frequently observe the division of external goods—through excessive accumulations or subdivisions—with the needs and the worth, that is, with the equitable grounds of all material property.” If free play is not to be given to the blind accidents of fortune, and if the decisions of the same are not to be accepted with Turkish resignation, we may not, in determining the legal order for material goods (possessions, earnings, loss, consumption), proceed from the standpoint of the individual, but we must decide from all-sided consideration of the essential purposes of the whole, as well as of the members of the society. “That selfishness which aims at the ruin of one’s neighbor through all possible evil arts, along with utilization of one’s own superiority in the so-called free competition, that is virtually the whole insufficient basis and center of today’s economic theory, is at all events equally dubious from moral and from genuinely economic and legal considerations.” The outcome of today’s irregular distribution in society, decided almost wholly by accident, cannot be so important as it would be if we had orderly organic co-operation. Private property in its present exaggerated extent and exclusiveness is not permanently maintainable. Only in a far less degree than we today usually assume can it pass as unrestrictedly necessary. The more we gain in the way of insight into justice, especially with reference to the more general and advanced needs of society, as our culture increases, the more shall we approach to an ordering of property which through legal limitation assures a use which is in accordance with the purposes of the individuals and of the aggregate, which facilitates commerce in material things and promotes the production of goods. The special norms of such a legal order must be adapted to the total conditions given from time to time in a particular state.

The idea that law must be based upon investigation of society relationships, and that its content must be a movement toward social reform, has also been represented by Eisenhart and Warnkönig. The former declares that legal training calls for a basic training in the social sciences.¹ "Our science must broaden itself into social science and it must assimilate the various complementary community spheres," writes the latter with reference to *Rechtsphilosophie*. At the same time, however, he calls attention to the fact that this discipline cannot alone perform all the tasks which follow upon its fundamental principles. "The science, however, has to show the ways and means by which the harmful effects of private property may be prevented or how they may be diminished or abolished. To this end it must leave the juristic realm and turn to ethics, national economy, *Polizei*, and even to the science of finance in order to find the remedies for the social ills necessarily begotten by the severity and immobility of private law."²

IV

The influence which the ideas of legal philosophy just referred to have exerted upon *national economy* are directly traceable only in particular cases. There is no doubt, however, that it has been great, and that on the whole it is to be recognized in that conception of economic science which has called itself the *historico-ethical*. The social movement, the discussion about society, the investigations in legal philosophy have all exhibited an abundance of life-phenomena which are interdependent with the industrial facts, and which were not interpreted by the previous national economy. As a theory, this interpretation was a mere "arithmetic of egoism," an economic logic (Treitschke), the inadequacy of which for the comprehension of the empirical reality of industrial life was proved as soon as we took into the field of vision the complex whole of society. As a civic policy (*Politik*) it was eclectic. It lacked a principle of unity. The incomplete condition of national economy

¹ *Philosophie des Staates oder allgemeine Sozialtheorie*, 1843, Vorrede.

² "Die Gegenwärtige Aufgabe der Rechtsphilosophie," *Zeitschrift f. ges. Staatsw.*, 1851, pp. 257-80.

was felt and confessed by many.¹ Some urged the national economists to broaden their science into the science of society, others insisted that they should change the fundamental conception of the economic man, that they should take account of him in his whole moral personality, and that they should investigate his industrial activity in the reality of historical life in connection with all the other sides of the societary life. The reckoning-in of ethics, of politics, of the historical individual phenomenal form of folk-thrift and its development by the economic sciences was unquestionably the necessary consequence of the total complex of facts and thoughts which consideration of industry from the viewpoint of society brought to the attention of science. An immediate recourse to particular authors would not be a necessary consequence, but we may regard the essential, actual connection between the ethical and the historical tendencies in national economy and the above-characterized intellectual movement as inevitable. This has been recently and rightfully emphasized, especially in the case of history, by Othmar Spann.² He calls attention to the fact that the quarrel of the historical school with the older systematists begins with attacking the previous idea of *Wirtschaft* as an abstraction and in general by attacking the previous relationship of isolation of the industrial from the other civic and social phenomena.

¹ We should compare the opinion of eminent scholars of that period about the incomplete, inconclusive, and even chaotic condition of the science of national economy. For example, Hildebrand, *Gegenwart und Zukunft*, 1848, p. 4; Roscher, to be quoted presently; Mohl, *vid.* original of this monograph, p. 5, and *Geschichte u. Litter. der Staatswissenschaften*, I. Bd., 1855, p. 18, and 3. Bd., p. 299; Treitschke, *Gesellschaftswissenschaft*, 1859, p. 35; Schäffle, "Der gegenwärtige Standpunkt der Wissenschaftlichen Politik," *Deutsche Vierteljahrsschrift*, 1861, 4. Heft, p. 13; *idem*, *Mensch u. Gut in der Volkswirtschaft*, 1861, 4. Heft, p. 232.

² *Wirtschaft und Gesellschaft*, 1907, pp. 13, 136. To be sure, it would be a mistake to assume that the historical conception sprung up in national economy from the discussions about the nature of society. The standard sources of this conception, especially the involved "aboriginal reaction of empiricism in general and of historical empiricism in particular against aprioristic speculations in civic matters," were brought to light by Karl Menger.—*Untersuchungen über die Methode der Sozialwissenschaften und der politischen Ökonomie insbesondere*, 1883, IV. Bd., 3. Kap. It is in point to show here merely that the newly emerging endeavors in the line of societary science necessarily worked in the same direction.

Roscher writes:¹ "Our aim is the exhibit of that which peoples have thought, purposed, and felt in respect to industry, what they have endeavored and attained by means of it, why they have endeavored, and why they have attained. Such an exhibit is possible only in closest connection with the other sciences of popular life, especially with the history of law, of the state, and of civilization." In his *Grundlagen der Nationalökonomie*, he still more strongly asserted, with reference to the corresponding views of Ahrens, that the life of a people is a whole, the various manifestations of which are essentially interdependent.² He continues: "The task of economic theory is to investigate folk-thrift in its course and its development under the influence of all the forces of folk life. Thereby we shall learn the relative justification of all the institutions from the special conditions of the people and of the stages of culture in which they came into being, and we shall learn to have before our eyes in the case of the minutest particular transactions in the conduct of folk-thrift always the aggregate, not merely of the industry, but of the folk life itself."³ In an immediate interdependence with the seething in the societary life, with the changes in the economic polity of the times, and with the social theories which attach themselves to the same were the researches of Bruno Hildebrand. In his own words, he wanted to find "in the midst of the anarchy of prevailing opinions the correct course for economic theory in the future."⁴ He rebels against the cosmopolitanism, atomism, materialism of the Smithian school which conceives of political economy as a "physics of commerce" in which the individual is assumed to be a purely egoistic force; yet he likewise repudiates the a-priori constructions of the socialists, who, to be sure, correctly emphasize many shady sides of the

¹ *Grundriss zu Vorlesungen über die Staatswirtschaft, nach geschichtlicher Methode*, 1843, p. iv; also in the monograph "Der gegenwärtige Zustand der Wissenschaftlichen Nationalökonomie u. d. notwendige Reform desselben," *Deutsche Vierteljahrsschrift*, 1849, I.

² *System der Volkswirtschaft*, I. Bd., *Die Grundlagen der Nationalökonomie*, I. Aufl., 1854, § 16.

³ *Ibid.*, § 29.

⁴ *Die Nationalökonomie der Gegenwart und Zukunft*, 1848.

existing industrial organization, but overlook the gradual improvement of society achieved and attainable in the course of historical development. According to him, therefore, the science of national economy has the task "of investigating the course of development of national thrift, both that of separate peoples and that of all humanity from stage to stage, and in this way to learn the foundations and the structure of contemporary industrial society, as well as the task the discharge of which is reserved for the labor of the living generation."¹ That in this development not the individuals alone but their organized aggregates such as nation and state play the decisive rôle, had long before been emphasized by Adam Mueller,² and was at this time again urged by Friedrich List.³ The comprehensive treatment of the historical method of national economy by Karl Knies⁴ penetrated still deeper into the interconnection of the economic with the other life-manifestations of man. "The total historical existence of a folk furnishes clues to the common basis for the various life-circles, and for the special reason that through them a unitary spirit prevails, and the particular factor, as though encompassed by a common medium, develops in a total movement—i.e., a folk is something more than an arbitrary sum of separate individuals. Moreover, the industrial conditions and developments of a people may be regarded only as a member closely united with the entire vital organism of the same. The popular thrift is in reality not something isolated, something self-sufficient, it is the economic side of the one folk life."⁵ This unity of the actual life of the folk was sufficiently emphasized by Stein, Ahrens, Dietzel, and others.⁶ Only Mohl uses a rough form

¹ "Die gegenwärtige Aufgabe der Wissenschaft der Nationalökonomie," *Jahrbuch für Nat. u. Stat.*, 1863.

² *Elemente der Staatskunst*, 1809.

³ *Das nationale System der politischen Ökonomie*, 1841.

⁴ *Die politische Ökonomie vom Standpunkte der geschichtlichen Methode*, 1853, 2. Aufl. (durch Zusätze vermehrt), unter dem Titel: *Die politische Ökonomie vom geschichtlichen Standpunkt*, 1883.

⁵ *Ibid.*, p. 41.

⁶ Stein, *System der Staatswissenschaft*, 1. Bd., 1852, p. 23, "die wirkliche Gestaltung des Lebens und die Wissenschaft"; Ahrens, *Organische Staatslehre*, 1850, p. 73; Dietzel, *Die Volkswirtschaft und ihr Verhältnis zu Gesellschaft und Staat*, 1864, p. 52.

of expression and declares that the state is a life-circle completely detached from society.¹ In the methodological questions, in the structure of systems, and in the formation of concepts covering the various sides of folk life, differences emerge, to be sure; but so long as a methodology of the mental sciences, especially of the civic sciences was lacking, these differences necessarily favored the historical method, because through it the unity of the object was obviously most completely preserved. This consciousness was a co-operating factor especially in the case of all the questions of economic policy for the solution of which the facts of historical experience and the laws of development seemed to afford a secure foundation.²

Almost always those national economists who oppose to the one-sided view of the Smithian school the completely empirical reality of human volition and action in the realm of industry, urge that the inadequacy of the traditional theory and its failure in the presence of the turbulent demands of the times for social reform rest upon the narrowness with which it confines itself to the selfish endeavors of men in industry, so that it becomes a science of greed, while in reality men, even in their economic actions, are subject to the moral law, and are stimulated by moral motives or should at least be guided by them. The German group of the Smithian school had, to be sure, never, with the one-sidedness of the English and the French, stood for the principle that the individual, in pursuit of his own interests, served also the common weal. The Germans had therefore, through the designation *Volkswirtschaftspflege*, indicated a realm upon which the state and the public spirit (*Gemeinsinn*) of the people emerging in it subordinate industrial to moral principles. But "selfishness and public spirit cannot operate as two separate powers in two distinct

¹ *Geschichte und Literatur der Staatswissenschaften*, I. Bd., p. 104.

² This was emphasized particularly by Roscher in various connections. See also Treitschke, *Gesellschaftswissenschaft*, p. 45: "From the laws of the economic development of the folk life, from the position which the economic circumstances occupy in a given time in the total life of the people, arise with historical necessity the fundamental rules for the influence of the state upon folk industry"; Knies, *Politische Ökonomie*, III, 9. Kap: "Der Absolutismus der Lösungen und das Prinzip der Relativität"; Hildebrand, etc.

worlds. They must in reality in various and changing degrees, according to the morality and culture of the folk, operate with and through each other."¹ The object of national economy, therefore, cannot be merely the individual pursuing his special interests. It must rather be the whole man as personality, that is, as a person subject to the moral law. Among the older national economists, Schüz particularly represented this idea in a consistent way. He assigned to national economy the task of observing and representing the industrial development of a people in its reciprocity with its whole moral, civic, and political life, as it would shape itself in the future in a natural and reasonable way.² That human nature acts not merely upon egoistic impulses but also follows moral motives is emphasized by these national economists in the same way as by the juristic philosophers. When Röder said: "The assertion that the prospect of gaining private property is the sole spur of human activity contains a slander upon human nature which experience contradicts,"³ he could reckon upon the approval of national economists. Knies in particular undertook a thoroughgoing critique of the dogma of the invariable selfishness of man,⁴ and he cited the contradictions in which Rau, Hermann, and other leading German national economists were involved when, on the one side, they explained the attitude of

¹ Hildebrand, *Die Nationale Ökonomie der Gegenwart und Zukunft*, p. 33. Later he represented more at length the idea that economic transactions are subject to ethical ideas and moral principles, in a monograph on the present task of the science in the *Jahrb. f. Nat. u. Stat.*, 1863.

² "Über das sittliche Moment in der Volkswirtschaft," *Zeitschr. f. ges. Staatsw.*, 1844, 1. Bd., p. 132; "Über das politische Moment in der Volkswirtschaft," *ibid.*, p. 329; "Über das Prinzip der Ordnung in der Volkswirtschaft," *ibid.*, 1845, p. 234; "Über die sittlichen Ursachen der Armut und ihre Heilmittel," *ibid.*, 1851. Notable are also the monographs which the philosopher Vorländer later published in the *Zeitschrift f. d. ges. Staatsw.*: "Über die ethische und soziale Bedeutung des Wohlstandes und Eigenthums," 1855; "Das Gesetz der Gerechtigkeit als Grundlage für die Bestimmung der Rechte der Individuen," 1856; "Über das sittliche Prinzip der Volkswirtschaft in Rücksicht auf das soziale Problem," 1857; "Über das ethische Princip der volkswirtschaftlichen Konsumtion," 1858. Vorländer in these essays expresses himself quite generally but in a very intelligible way with reference to many ideas and demands of the socialists.

³ *Rechtsphilosophie*, 1. Aufl., 1846, p. 251.

⁴ *Politische Ökonomie*, II, 3. Kap.

man toward material good as invariable, because it was based upon the egoistic nature of man, but on the other side they credited the *Gemeinsinn* and the altruistic attitude with an influence upon economic action. In contrast with this, it was urged, observation of historical life and psychological study of mankind teach us that the individual's impulse of self-preservation is not in contradiction with vital sense for the weal of others and of the whole. Quite in harmony with the views of Ahrens and Röder on legal philosophy Knies writes, "the operation of indiscriminate selfishness in economic activity rests not upon freedom but upon the right of might, it is caprice in place of political and social freedom," and "the impulse of private industrial activity which is based upon the endeavor for personal weal in our sense is not only not in contradiction with the moral imperatives, it fulfils in itself a moral imperative, and the consideration and promotion of the weal of one's neighbor and the force of public spirit do not need to be added as something contradictory to that individual action. They are bound up with the same in the normal man as such."¹ Along with public spirit, the same author says, the sense of the right and the just emerges, it has its source "in the moral sense of justice." "Here again we are concerned with no fiction, but with attention to a fact which proceeds from the moral nature and development of man and can only strengthen the bonds between the individual members of the community."² The progress of moral culture, the strengthening of the national and patriotic impulses in peoples, have diffused in them the conviction of the abnormality of a condition in which the individual members in their industrial conduct would regard themselves only, and would be released from all regard for one another. Even in the field of economics proper, science could assume the exclusive good effects of private egoism only so long as it regarded the largest possible total production as the paramount task of economic activity. On the contrary, a different view had to be taken by that national economy which devoted its most earnest inquiries to the realm of the distribution of goods and of income, and which in fact tested the actual distribution with reference to the question whether or

¹ *Politische Ökonomie*, p. 239.

² *Ibid.*, p. 241.

not it is a "good," a "just," an "appropriate" distribution. Here, then, an ethico-political concept becomes the test of the theory. This deeper conception of the nature and life of a people, the same author urges, has prepared the way for recognition of the intimate connection between all sides and manifestations of folk life, and has made possible the insight "into the ubiquity of the inter-relation between the activities of the civic power and the economic private activities and spheres of life." Not merely the moral value of the individual personality, but the moral foundations of the political order of human society are thus in question.

These ideas were energetically supported by Schäffle, by whom as by no other national economist the juridico-philosophical ideas of the time were employed for the examination of economic phenomena and the relation between them and the state. He called attention to the fact that those who in the most recent times had earned the greatest reputation for developing national economy had been in part eminent or, at least, respected exponents of moral and juridical philosophy, in part historians.¹ From other essentially ethical disciplines new viewpoints have come over into national economy, while the proposals for reform which the moral and legal philosophers and theologians addressed to the national economists rest upon grounds of justice. "Not the good that has been gained and is to be gained, the *Chrema*, but in the gaining and applying of goods *man* must be placed at the center of national economy, and must be regarded as the point of departure and of arrival for all economic actions. Such action, moreover, must be regarded not as a natural process in the sense that it goes on automatically, like the process of breathing and the circulation of the blood, but as a realm of *ethical* activity in which man appears as a being who with conscious will proposes new purposes and endeavors to gain them; as a realm of cultural activity, not as a process of unconscious nature. In this sense such thinkers demanded an ethico-anthropology in place of a chrematistic national economy."² The essential limitations of wealth, of the

¹ "Mensch und Gut in der Volkswirtschaft," *Deutsche Vierteljahrsschrift*, 1861, 4. Heft, p. 232.

² *Op. cit.*, p. 236. Schäffle later expressed a similar idea in the following words: "The question whether national economy has a right to claim the dignity of an ethical

extent of private and societal business operations, the moral justification of property, its distribution, the justification of the capitalistic class, the taxation of the latter—these questions all belong in national economy, but it has neglected them. It consequently could not overcome communism, for the latter proceeded from man. To be sure, the so-called social, societal tendency is now at work in national economy, but with great confusion. "Yet it has, at all events, the one meaning that man must be understood in his social reality." We must not, however, regard it as sufficient to set up against egoism as a corrective the moral nature of the community feeling. In order to be a corrective, secure social institutions are necessary: marriage, family, community, national banding together, legal organization, the church, etc. Especially must the central organization of the state combine all the autonomous organizations of the society with one another and with the peculiar central unity.

In another place Schäffle discusses this task when he deals with the movements for economic freedom and for abolition of the "police state."¹ In England, Belgium, France, Germany, organized schools and unions are struggling against the preponderance of repressive state supervision, for a compensation in the shape of free association. "In the presence of the practical needs of life, however, such nihilism shows itself to be thoroughly untenable." The most prominent German publicists had also not allowed themselves to be carried to these extremes. Bluntschli, von Mohl, Rau present with clear consciousness or with indirect recognition the essential justification of state intervention. Yet they lack fundamental unity of conceptions. This unity is given not when we regard *Polizei* and *Recht* as antitheses, but when we combine them; that is, no judicial activity in the state which does not serve a reasonable welfare-purpose, and no promotion of discipline is not at all a question of method. The decisive point is in the question whether it regards the economic life of the folk as a realm of free volition, in which all the moral and sensual forces of human personality are engaged and directed consciously to an all-sided satisfaction of the morally rational purposes of life. National economy lays claim to this conception."—*Die ethische Seite der nationalökonomischen Lehre vom Werthe*, 1862, p. 7.

¹ "Der gegenwärtige Standpunkt der wissenschaftlichen Polizei und Politik," *Deutsche Vierteljahrsschrift*, 1861, 2. Heft.

welfare which is not in essence and form a judicial transaction. The problem, then, is to detach ourselves from the subjectivistic conception of the law which regards it as a mere marking of the boundaries of individual license, and to conceive it as the substance of the ultimate direction of the subjective will toward the manifold moral purposes. We must regard the state as the society organized for the law so understood. The task of providing the speculative basis for this idea of the law and the state, and of adapting it to the particular parts of the positive legal system and the special conceptions of the same has been performed brilliantly by Ahrens and Röder.¹ More recently greater significance has been credited to the state, and only between the individual and the central state has a special "society" and a societary law been introduced, but this, however, as a purely formal matter; the law must rather vitally pervade the whole society. *Politik* is everywhere necessary where there is *Recht*. *Recht* comes into being and disappears politically; *Politik* however rests upon two supports; it shapes *das Recht* historically in correspondence with temporal and local conditions, but it is also idealistic, rational, and hence dependent upon the moral principles.

Like Schüz, Hildebrand, Roscher, Knies, Schäffle, finally Kautz also makes his profession as adherent of the historico-ethical tendency.² The principle and guiding star of folk-thrift is to him the *Gemeinsinn*, the common weal as ethical postulate, and the science of folk-thrift has the task of depicting a societary order that is an ethico-historic basis and promoter of private and community weal.³ He held that national economy must also co-operate in realizing the social and political purposes of life.

¹ In the preface to the second edition of his *Rechtsphilosophie*, 1863, Röder could write with complacency of Schäffle that at last "a German has been found who openly and definitely professes this conception of law as worked out by Ahrens and myself; who has no hesitation in adopting it in all its consequences and in estimating it as a cardinal means of approaching solution of many of the burning questions in science and in life, and of preparing the way for changing the 'police state' into the 'legal state' for which life has long been struggling."

² *Theorie und Geschichte der Nationalökonomik*, 1. Bd., *Die Nationalökonomik als Wissenschaft*, 1858, especially Erstes Buch, iii. u. iv. Kap.; 2. Bd., *Die geschichtliche Entwicklung der Nationalökonomik und ihrer Litteratur*, 1860, especially pp. 465 u. 765.

³ Vol. I, p. 176.

It is a socio-political science and consequently has to prepare the way for the discharge of those tasks which concern the perfecting of the social order and are both economic and politico-administrative in their nature.¹ It is a carrying-out of this line of thought when Roesler attacks the Smithian system because it overlooked the fact that in a theory which has for its subject-matter man and his development on the basis of the will only moral concepts have a claim to scientific character. For him therefore economic theory is intelligible only as a component of *Rechtsphilosophie*, because all industrial relationships, by virtue of their societary character, are necessarily sovereignty relations and consequently must be subject to the legal order. He developed this idea later and showed that the law of property and the so-called law of persons is not left to private caprice, but is definitely influenced by the cultural situation, the expression of which at a given time is to be found in the social conceptions of right. In the present culture period, he held, society is determined by the moral principles: development of all consistently with equal rights, and community in all cultural relationships.²

V

“The abundant works of socialistic literature constitute an independent whole by the side of the old national economy. They are not yet incorporated into the latter, but it will not be possible permanently to deny them their place by the side of the other theorems.” Thus wrote Lorenz Stein in the year 1846.³ In fact the theories of society as an independent actuality along with the state, of the close connection between legal ordination and economic action of the reciprocally limited societary conditions as products of historic development under the influence of the moral volition of men, are nothing but attempts to comprehend scientifically the interconnections which socialism had brought to light. When a place was assigned in the theory of industry

¹ *Ibid.*, p. 356.

² *Soziales Verwaltungsrecht*, 2 Bde., 1872, 1873.

³ “Der Begriff der Arbeit und die Prinzipien des Arbeitslohnes in ihrem Verhältnis zu Sozialismus und Kommunismus,” *Zeitschr. f. ges. Staatswissenschaft*, 1846, p. 242.

to this way of thinking, it was quite intelligible in view of the fact that this science had never contented itself with being a theory of economy, but had always exceeded this limited task, and had endeavored to develop the fundamental principles for a satisfactory ordering of society, of law, of politics in their relationships to economics. National economy, without being conscious of it, as a matter of fact posed as a science of society, and after the manifold presuppositions and relationships of such a science had been better understood, the demand grew that national economy should make itself correspondingly profound. Therewith that significant advance was accomplished which distinguishes the German science of economics, namely, that special attention was given to presentation of the industrial conditions, their historical development, the uncovering of the industrial substrata in all the societary relationships. It was an error, to be sure, to suppose that a new system had thus been founded, since all this amounted merely to a further development of those beginnings of a societary science which were already present in the theory of economic action from the time of the mercantilists. But this error had the less significance in proportion as the new conception of economics was used, not for theoretical doctrines about the essence of the interdependencies of industrial facts, but as a basis for demands through which it was hoped to secure a reform of society, especially of the industrial section of society. The socialistic criticism, particularly the industrial depression at the end of the forties, the revolutionary agitations by the labor element of England and France, directed attention to the evils of an individualistic industrial order, such as the free-trade school desired, and roused the conviction of its impracticability in wide areas. Even before the science had arrived at a formulation of new bases of industrial polity, symptoms of a new conception of the relationship of men to one another appeared in practical life. In connection with the first German industrial exposition in Berlin in 1844, the *Zentralverein für das Wohl der arbeitenden Klassen in Preussen* was founded, and presently it was imitated in other German states. Its purpose was the improvement of the moral and economic conditions of the laboring classes. Questions of the

conditions of labor, rates of wages, regulations of labor, coalitions, and the insurance of income through mutual funds, sickness and old-age insurance, etc., were publicly discussed. In church circles attention was given to the great social questions of the time, and the religiously inclined were warned to bring economic relationships under the influence of religio-moral ideas, and to promote the reform of society by means of spiritual conversion. There was no hesitation about adopting positions in sharp contrast with the ruling conceptions. The bishop of Mainz, Freiherr von Ketteler, said in a sermon "the aphorism, 'property is robbery' is not a mere lie; it contains along with a great falsity a fruitful truth." He declared that the false doctrine of the inflexible right of property was a sin against nature.¹ In Protestant circles J. H. Wichern in 1849 proposed as the task of the *Innere Mission* a great program of social amelioration. The material distress, he held, depended closely upon the moral distress. Toward the removal of the latter the state alone could do nothing with statutory measures. The state must, in this connection, be reinforced by higher powers exercised by subjectively free persons. To animate the family and the domestic condition, and the therewith immediately to be connected relationships of education, of property, of labor, and the vocational classes determined by these, with Christian purposes, is the chief task of the *Innere Mission*. It is within its power not only to contribute to the mitigation of the miseries of the poor, but also to the sanctifying of property and the adjustment of the disarrangement between the classes that are separated by differences in possessions. The chief realms of activity which he assigned to the mission are: care for the sick, work for the education of children and youth, rescue of the neglected, securing of work for the poor, associations of the needy even in combination with the well to do, associations of the various labor and occupational classes, and domestic colonization. Since that period, in both Catholic and Protestant circles, church work as well as church influence has been a strong factor in the extension of a sentiment hostile to economic individualism and

¹ *Die grossen sozialen Fragen der Gegenwart, sechs Predigten gehalten in Mainz im Jahre 1848*, Ausgabe 1878, p. 15.

favorable to positive organizing activity. A further symptomatic fact was the trade-union movement. It also did not start with the representatives of national economy, but from practical men like Schulze-Delitzsch and from political authors of other occupations, like Victor Aimé Huber. The latter, a statesman of the evangelical conservative school, by visits to England, France, and Belgium had become acquainted with the trade-union movement in those countries, and had absorbed their basic idea of supplanting the individualistic industrial order by the association of individuals. After 1846 he was active as a publicist for the organization of trades, and no other German author has so profoundly grasped the union idea on both its material and its moral side.¹ The point of departure of his demands is the consideration that the unwholesome disintegration of the laboring classes which was everywhere observable goes along with the weakening and the dissolution of the older obligatory organization of labor, and with an absence of reorganization of the masses, disorganized by the changed system of labor and by transformation of all the social and economic conditions. The ameliorative measures must be carried on in the spirit of Christianity. They must correspond with the modern development of production and consumption. They must not suddenly threaten in its whole circumference the existing conditions. They must have the "tendency toward the organic reproduction of the atoms," they must make the moral and intellectual influences work together with the material and economic, and finally they must not weaken the lawful ambition for self-help, independence, and self-respect; but they must strengthen it. He finds all these conditions satisfied in the unions both for producers and consumers. The former increase the common earnings and the common production of the individuals combined for industry on a large scale. The latter remove the disadvantages of the small consumer in the use of the necessities of life, housing, etc.

¹ Huber's numerous works extend from 1846 to 1869. The most important which concern the trade-union idea are: "Die Selbsthilfe der arbeitenden Klassen durch Wirthschaftsvereine und Kolonisation" (in *Janus*, 1848); "Über Assoziation in England" (*ibid.*, 1851-52); *Reisebriefe aus Belgien, Frankreich und England*, 1855; *Soziale Fragen*, 1862-69.

While Huber attained no practical successes, Schulze-Delitzsch in 1848 established his first raw-material association (*Rohstoff-genossenschaft*) and in 1850 his first credit society; and he thereby opened the way in Germany for the new form of societary organization. In principle he was working along the same line as Huber, although their world-philosophies were different. Huber had adhered to the fundamental principle of liberalism, namely, the self-reliance and responsibility of the individual. Hence he demanded fundamentally self-reliance, and differed from the old liberals only in that he demanded this, not of the isolated individuals, but of combinations of them on the basis of free initiative. He represented *social liberalism* and recognized also the necessity of the co-operation of public administrative bodies, the state, the community, the churches, with private bodies; but the foremost matter with him was the establishing of voluntary organizations.¹

That organization was a pressing need, that the atomization which had corresponded with the consistently applied principle of industrial liberalism had caused great evils, that positive tasks must again be assigned to the state, is a widely spread view. When Maximilian II of Bavaria in 1848 proposed the question for his prize conference, "Through what means can the material needs of the lower classes of the population of Germany be relieved?" the prize was given to von Holzschuher.² He declared that the social classes of the feudal state had disappeared and that the state must put in their place a new and organic structure. "The money power alone cannot build up an organism in the state. Money as a mere means of enjoyment has developed no organically cohesive force in society. It operates rather as a dissolving agency. The dominance of money as capital over the laborer is a far more dangerous matter than the former feudal lordship." The state must consequently promote associations and corporations which grow from within, it must support their industrial initiative

¹ Most of the Schulze-Delitzsch writings are devoted to practical labor or to agitation. The first, especially devoted to the fundamental principle of the union, were: *Mitteilungen über gewerbliche und Arbeiter Assoziationen*, 1850, and the *Assoziationsbuch für deutsche Handwerker und Arbeiter*, 1853.

² *Die materielle Not der unteren Volksklassen und ihre Ursachen*, 1849.

through various measures without going into detail. Only in the case of factory laborers should such arrangements be necessary for the maintenance of adequate wages, the shortening of the labor day, and the removal of the truck system. Further it is necessary to take measures under the guaranty and supervision of the state for the founding of endowment funds in the case of accidents and old age, and for extraordinary needs, and also to organize institutions which will be concerned with the most important needs of the laborers, such as housing, distributing centers for grain and flour, educational institutions for children, etc. In order, however, to afford to the laborers in their relations with the manufacturers a permanent and effective organ, a kind of representation, the laborers must organize themselves into unions and choose committees under the supervision of the state, which committees will have, on the one hand, the duty of making note of all the evils and of listening to all proper complaints, and on the other hand, of supporting the *Sitten Polizei* within the whole organization. This repudiation of anarchical conditions, of unrestricted competition and freedom, appears very frequently in other ways in the publicistic literature of the times, especially in articles in the *Deutsche Vierteljahrsschrift*.¹ These ideas are, to be sure, represented systematically only by Ahrens and Röder, who wanted to lay the foundations for a new school of societal politics between liberalism and socialism.

With all the precision with which he opposed the atomization of society through free competition, Ahrens still rejected the other scheme of state omnipotence, "the monster of state socialism" which the Hegelian theory of the state tended to produce.² He argued that it would amount to an essential misinterpretation of one condition of human realization (*Vervollkommenung*) if we should assign to the state a too narrow purpose, but on the other hand it would mean the establishment of a despotism which would destroy all moral freedom and would everywhere restrict progress

¹ As early as 1838, Bülow published a paper on pauperism in this journal and also in his *Handbuch der Staatswirtschaftslehre*, 1838, at the same time he referred to other works aiming at the same sort of associated efforts.

² *Juristische Enzyklopädie*, 1855, p. 107.

if all the particular social purposes should be put in charge of the state.¹ These particular purposes should be undertaken by the several social circles and the organizations existing within them. But the state must prepare the ways and means for the attainment of the societary purposes. The state is the distributor of these means and incessantly supervises their application. It stands by the side of the societary organizations as a protector. It is an ally in the development of everything that is good, beautiful, true, and genuinely human.² It is the business of the state to take care that the several societary circles do not interfere with one another. It has consequently the right of intervention within the realm of industry among others, in order that it may be able to prevent the suppression of the interests of the majority by a new commercial aristocracy, "in order that from calculation of material gains the higher human interests which concern the intellectual, moral, and legal development of the laborers of every age may not be lost from view." Ahrens refers particularly to the necessity of setting in order the conditions of labor in factories. He cites with approval Stahl, who demands two things: first, protective laws against oppression by the manufacturers with reference to wages, labor time, and the use of children; secondly, attention to the socialization of the available means of laborers (provision for widows, the sick, the unemployed, the weak). For these purposes funds should be established, with compulsory annual contributions of the laborers and *voluntary* contributions by the manufacturers. He argued for only a limited material contribution by the state, and he is also very cautious in his conclusions about the social program of taxation.

In contrast with this Röder regards the tax system as "by far the most important step which modern times can take toward the goal of a thoroughgoing ordering and regulation of material goods in accordance with the tendencies of life. The taxes contain, in so far as they are justly and properly assessed, collected, and applied, a means of general constant adjustment and relief according to the needs and merits of men, and no other means

¹ *Rechtsphilosophie*, 2. Aufl., p. 124.

² *Ibid.*, pp. 123-44.

can be substituted for them."¹ He consequently regards the taxes as a giving-up of a part of private property, and regards them as like other limitations of the right of property indispensable, unless the poverty of the masses, the checking of the middle class, and monstrous inequalities of possession are constantly to be reproduced by the régime of free competition.²

He also places great emphasis upon the measures of the state which aim at reimbursement for the effects of accident upon the distribution of goods. He contends that the state should take measures for assurance against accident of every sort. The state will accordingly properly prescribe that there shall be taxation for death and accident benefits on the part of the community, the employers, the members of given occupations, etc. It is a mistake, he claims, on the part of many, to regard the state as incompetent to exercise the insuring function in any way. The mistake is the greater with each clearness of our perceptions that only with unlimited reciprocity and with co-operation of the largest possible groups can the purpose of the most effective indemnification for every accident be attained, for the benefit of those immediately concerned, and for the whole, and that with the exclusion of selfishness as far as possible.³ Through gradual extension of the competence of the communities, essential progress can be made toward an equality of general reciprocal aid. The communities might lay upon the members, especially the laborers, the duty of sharing in the support of the various sorts of saving, loan, and insurance organizations, especially with respect to the means of external life: housing, food, organization of community work, aid to immigrants, etc. The reduction of the accidental factor is to be sought for through prohibition of pure games of chance, regulation of the stock-exchange business, and particularly through the regulation of business freedom in which, if left to itself, the accident of the possession of money, that is the right of the stronger, decides. The fundamental principles of such regulation should be: (1) Everyone must have an opportunity in society and by means of it properly to qualify himself for labor. (2) The

¹ *Grundzüge des Naturrechts*, 2. Aufl., p. 317.

² *Ibid.*, p. 308.

³ *Ibid.*, p. 321.

possibility of labor and of earning by means of it must be given to everyone capable of labor. "At all events the state must see that each is in a condition to live on a human plane in return for his labor. Conditions must be created so that in the case of no one it will depend upon mere accident whether he can through his labor provide the necessities of life for himself and his family, and can improve his condition." The means for this, he held, are labor exchanges (*Arbeitsnachweisanstalten*). Fundamental security is, to be sure, possible only through the conduct of industrial order in a genuinely societary way. "In fact, every day it appears more indispensable that there should be a unified conduct of every occupation through the totality of those who belong to the same occupational class, in contrast to the old guild institution, in accordance with which the right of a voice in occupational matters was limited." These occupations should start with the several circles, but they should be legally regulated by the state. (3) Obligation of the capable poor to labor. (4) A proportional wage should be paid for every kind of work. "Most important is the legal ordination and supervision of the relations of laborers toward the employers in the case of great enterprises, especially the determination of the labor time and the corresponding wage; the proper scale of shares of all concerned in gains and losses, as well as the contributions to the insurance fund of the business in order that sickness, death, etc., should not become a burden exclusively upon the community. We are only now beginning to understand this demand of justice." "In itself it is clear how little we have a right to speak of the legal protection of property so long as those whose whole means consist almost entirely in the ability to labor are consigned without protection to the accidents of competition and to the caprices of hard-hearted money bags." (5) Those who are incapable of labor should also receive the material goods necessary for their support.¹

VI

In these literary discussions which were carried on outside the circle of economic science the whole territory of social polity was marked off in broad outlines. The socialistic criticism of the

¹ *Ibid.*, pp. 350-51.

liberal industrial order was in these discussions recognized as justified in essential points. "Our legislation, our administration, our community system, our private and associational activities are already filled with socialistic ideas," writes Biedermann in the year 1847, referring to the education of youth in the public schools, the laws of expropriation, the income taxes, the intervention of the state in business. He also emphasizes the fact, however, that we differ from the socialists in not regarding it as necessary, as they do, to demand the complete merging of the individual in society, but rather in believing that progress in culture can be gained by mitigation of the individualistic principle through mere removal of the harmful elements of competition. A modified organization of the relations of labor, business, and society in general should bring in greater equality and justice and righteousness in the reciprocal relationships between the propertied and the non-possessing classes.¹ The general character of this school opposing the liberal industrial system is plainly discernible: organization in place of atomization; limitation of competition and the strengthening of the weak elements through association; public regulation of business by law wherever association could not be effective; direct civic or communal intervention and initiative where the individual means are not sufficient; and all this from the viewpoint of justice, of protection of personality, of preventing the treatment of men as objects of exploitation. The point of departure for all these endeavors lies in the ideas which the legal and societary philosophy of the time had represented. First of all they spring from the consciousness that the societary relationships are not those of unconscious nature, but that they are controlled by the will of men and therefore by moral conceptions. The view of "society" as a community of life which was independent although under the influence of the state led to these conceptions. "Upon the fundamental idea that a distinction must be made between *bürgerliche* and *politische* society, *soziale Politik* has been built." In this way Riehl in 1851 expressed the signifi-

¹ *Vorlesungen über Sozialismus und soziale Fragen*, Leipzig, 1847, p. 256. Roscher also recognized that the socialistic demands had points of attachment in the existing societary arrangement: "Über Sozialismus und Kommunismus," *Zeitschrift f. Geschichtswissenschaft*, 1845, 4. Bd., p. 42.

cance of that distinction for practical politics.¹ The tasks which were to be performed were not political in the sense of activities within the scope of the civil law, they were also not economico-political, because the purpose was not the increase of goods, that is, general wealth; the purpose consisted in the ordering of those relationships of men which are voluntarily arranged in society, and hence the endeavors after the reform of society received its name. They are accordingly not limited to the organization of the industry of men, since society comprehends more relationships than those of industry, but the need of the reform was most intensely felt in connection with industry, because under the system of freedom industry had been the chief creator of dependence of some men upon others and of the possibility of the exploitation of one by another. To abolish this situation became a moral duty. Hence the labor question occupies the middle point of all social reforms, because here the great antithesis between possession and non-possession with its damaging consequences for our thought and action sets the task, "to find a form of societary life in which personal possession will be maintained and still no absolute hindrances will be presented by it to the complete development of personality."²

All the discussions of social reforms were consequently connected with the situation of laborers, were accompanied by labor agitations, and were supported by them. Hence the socio-political views in Germany gained definitely in precision and extension when Lassalle in 1862-64 set in motion the first great German labor movement. He had coined the socialistic ideas for circulation and had given them the stamp which had made them capable of currency. His seductive eloquence and brilliant rhetoric won over even political opponents, and especially the social politicians of the Catholic school followed in his train. Freiherr von Ketteler, bishop of Mainz, appropriated his representations and criticisms of the condition of the laborers,³ and the publicist Edmond Joerg published a history of socio-political parties in which the teachings

¹ *Die bürgerliche Gesellschaft*, p. 5.

² Stein, *Sozialismus und Kommunismus in Frankreich*, 1. Aufl., p. 26.

³ *Die Arbeiterfrage und das Christenthum*, 1864.

of Lassalle so far as they are of an economic nature furnished the standard of criticism.¹ Joerg's characterization of the socio-political currents observable in the various parties gives evidence of the great extent to which the soil of the liberal economic conception in the folk was already undermined at a time in which it was moving toward its highest influence upon economic policy. He could with justification write: "The modern theory of economics can no longer ignore the frightful opposition which has arisen against it, and within the labor world the new spirit has taken a powerful hold."² In fact, at the beginning of the sixties the emergence of new conceptions among the representatives of national economy is evident. The unequivocal attitude of Hildebrand, Schäffle, Kautz, and Dietzel has already been referred to. In 1864, Schmoller for the first time expressed himself on the labor question.³ His conceptions of industrial evolution still bear an optimistic stamp and show great appreciation of economic liberalism, but already the break with the "older, fatuous scientific conception" is perceptible, which conception scattered the opinion that "man cannot exercise a free molding force in economic life, as though little or nothing depended upon him and his moral culture." Schmoller urges, on the contrary, that, in fact, all men's actions, the economic included, depend upon their ethical presuppositions. The natural articulation of society through the division of labor must always be furthermore a basis of duties, moral habits, and laws. "Progress in human freedom is never

¹ The essays appeared in the *Historisch-politische Blätter*, 1864-66, and were published separately in 1867 under the title *Geschichte der Sozialpolitischen Parteien in Deutschland*. They are not really a history but rather a characterization of the socio-political tendencies. Joerg distinguishes (1) the liberal, the bourgeois party, the real representative of the controlling industrial interests and industrial policy in which only a lean social liberalism which hopes for salvation from voluntary association makes itself felt (Schulze-Delitsch); (2) the conservative-guild party, which wants to revive the irrevocably outworn constitutional forms of manual labor; (3) the conservative-organizing tendency, which would create a new organization on the basis of right to labor which would be a defense against the preponderance of capitalistic control and would gradually accomplish a reconstruction of society; and (4) the radical social democratic party which looks to the state for a great saving act of the society organization of production.

² *Op. cit.*, p. 228.

³ "Die Arbeiterfrage," *Preuss. Jahrbücher*, 14. und 15. Bd.

a progress in capriciousness, but a system of restrictions between compulsory law and free morality." Along with this a fundamental view emerges that the whole economic life always moves upon the basis of the general moral philosophy and of the legal structure, and in closest connection with this view there is a second, namely, that the individual or the special class must be considered and judged never in and of itself but always in connection with all the rest of society and its purposes; so that the progress of each part always depends upon that of the whole. Therefore state initiative and individual initiative are not mutually exclusive but they are in the most intimate interconnection. The labor question especially calls for this co-operation in many directions: improvement of the standard of life of the laborers as the basis for the raising of the wage, prohibition of child-labor, limitation of the labor time, care for good housing, profit-sharing, associations, recognition of the unions are matters with reference to which initiative action must be taken, by public opinion and the church through exhortation, by the state and the community through compulsion, by the immediately interested persons themselves through their own initiative.

About this time the philosopher F. A. Lange took his place in the ranks of the social politicians with his treatment of the labor question and his presentation of views upon social questions which were remarkably similar to those of Mill.¹ Not of immediate significance for social polity, but of great influence upon the development of economic theory as a social theory, as well as for the founding of the theoretical social polity, was the second edition of Schäffle's national economy which appeared in 1867, under the significant title, *Das gesellschaftliche System der menschlichen Wirtschaft*. In this book for the first time the economic forces which mold human society are grasped in their totality and the peculiarity of the two systems of organization, the private and the public, as well as their reciprocal relationships, limitations, and reactions, are displayed. The necessity of the employment of various driving forces, of a variety of societary organs, and of

¹ *Die Arbeiterfrage in ihrer Bedeutung für Gegenwart und Zukunft beleuchtet*, 1865; John Stuart Mill, *Views of the Social Problem*, 1866.

a multiplicity of public duties begotten of societary development comes clearly into view in this presentation. A few years later Schäffle showed what tasks followed for politics.¹ He said: "Not merely the state—I go farther and say all the civilizing powers of society must work upon social reform: science, literature, the press, art, pedagogics, the school, the church, and voluntary religious activity." The state, to be sure, remains the chief factor, for the societary need of law and order advances with civilization and with the extension of the community. But although the public power is essential for the law, yet the whole societary arrangement must not be accomplished through compulsion. On the contrary, with advancing culture the voluntary principle finds increasing application. State initiative and self-reliance then co-operate, and no longer constitute an absolute antithesis. Conscientious investigation of social conditions places at the head of all measures the organization of laborers and managers, the installation of organs of economic inspection and control (*Polizei*). These latter should not abolish free competition, but they should afford protection for manufacturing and agricultural wage labor, and by means of a great system of special measures should raise the productivity of national industry and should insure the enterprises of particular productive groups.

Contemporary with the appearance of Schäffle's *Socialismus und Kapitalismus*, other national economists published monographs which plainly showed that a transformation had occurred in the science. In the preface to his history of the small industries in Germany in the nineteenth century, Schmoller confesses that he had formerly taken a too optimistic view, and that following the traditional notion of the liberal national economy he had regarded freedom of occupation as the exclusive means of salvation against all bad conditions. "The deeper my studies went . . . the more did my earlier abstractions change into concrete discriminations, my highly colored optimism into the perception that of necessity there resulted from the great changes of our

¹ Incidental to extensive discussion of socialism in the book *Socialismus und Kapitalismus, mit besonderer Rücksicht auf Geschäfts- und Vermögensformen. Vorträge zur Versöhnung der Gegensätze von Lohnarbeit und Kapital*, 1870.

time, along with splendid and unique progress, profound social and industrial evils; the nihilism of *laissez faire, laissez passer* was transformed into the demand for positive reform, and in this connection the reforms appeared to me always the chief matter, not the question whether state or society had to take them in hand." In summing up the results of his investigations he demands positive activity by individuals and organizations, by school and church, by state and community, to prevent further progress of inequality in possession and to insure the moral public control of competition which must still of necessity remain in a degree free. Sentences like the following show that Schmoller had gone over the grounds of the above-mentioned juridical philosophers and social politicians. "The popular consciousness will regard every existing inequality of property and income as tolerable which at least approximately corresponds with the personal qualities, with the moral and intellectual merits of the parties concerned and of the social class."¹ "Property is not absolute. The value of property is always more a consequence of society than a merit of the individual: every individual is so thousand fold under obligation to society and the state that his property is thinkable only with far-reaching obligations and burdens due to the whole."²

At the same time appeared Brentano's studies of the English trade unions.³ They exhibited the limitations, the methods, the workings of labor organizations, which, resting on the basis of the given societary order, still accomplished a reform of the conditions of labor and an improvement of the conditions of the laboring classes. In all this a firm concrete foundation was given to the demand for the organization of labor that had sprung from theoretical philosophical considerations, and had been formulated in a generalized shape. In the year 1871, von Scheel published his theory of the social question,⁴ a work which elaborated the contradictions to which formal legal freedom and equality lead, as the development of society actually goes on, the industrial unfreedom and inequality which result, and it shows that only a

¹ *Op. cit.*, p. 672.

² *Ibid.*, p. 686.

³ *Die Arbeitergilden*, 1. Bd., 1870, 2. Bd., 1871.

⁴ *Die Theorie der sozialen Frage*, 1871.

strengthening of the civic power as the supreme civilizing force, to the advantage of freedom and equality and the use of the means which legislation, supervision, and administration put at the disposal of the state, can lead to a sound societary organization. In the same year, Schönberg proposed the establishment of labor bureaus.¹ These should have as their official scope the duty of precisely determining the material and social conditions of the wage laborers within their territory, and the tracing of all changes going forward in this direction, and as organs of reform they should everywhere promote and stimulate self-help and societary help, and after the enactment of laws for the protection of laborers should supervise their enforcement. Thus with the utmost clearness the conditions of laborers were lifted out of the circle of purely private matters and were advertised as the affairs of the public administration. In the autumn of the same year (1871) Adolph Wagner delivered his famous speech on the social problem.² In it he forcibly asserted that national economy must again take on more the character and the significance of an ethical science in order correctly to treat the social problem. He argued that the idea of the moral responsibility of the individual, the society, the state for the molding of industrial relations was again gaining in significance, as contrasted with the mere investigation of natural order and sequence. The consequence is a demand for the abolition of luxury, for a better understanding between laborers and employers, for limitations of private holdings of land, in general for increase of state help and for a better distribution of the burdens of taxation. Labor commissions (*Arbeiterkammern*) on a legal basis should bring together laborers and managers for the orderly discussion of the questions at issue. Sometimes they should even settle the scale of wages. Decrease of the labor time, prohibition of Sunday labor, insurance of laborers in cases of sickness, disability, old age, care for widows and orphans are public duties. Likewise the improvement of consumption through housing reforms, intellectual, moral, religious improvement of the lower classes, reform of taxation. "In this connection it is

¹ *Arbeitsämter, eine Aufgabe des Deutschen Reichs*, 1871.

² *Rede über die soziale Frage*, 1872.

certainly true that freedom is better than compulsion." But the former presupposes much education, the latter is today not dispensable. "Nothing but extensive state intervention, nothing but the statutes and the compulsion of the state have in these respects brought the simplest duties of humanity and of Christianity into effect. Hence self-help *and* state help.

This speech was the focus of a campaign of argument within the liberal school in which the theoretical representatives of social politics were nicknamed socialists of the chair (*Kathedersocialisten*).¹ This was the express recognition of the new tendency as a socio-political school. An external union was presently accomplished. In the summer of 1872 a number of professors of national economy in connection with a few representatives of other callings agreed to hold regular meetings for the discussion of the social question in order to create a counterbalance against the harmful influence of the Manchester doctrine. The first congress met at Eisenach in October.² In his opening address Schmoller referred to the leading ideas which had moved the signers of the call to promote the assembly in the hope of founding here a basis for the reform of social conditions. Survey of the psychological interrelation between the forms of the organization of industry and the whole moral condition of the nation was spoken of as a clue to the evils of the times. We have had in view too much the increase of production and too little the reciprocal effects of the new forms of organization upon men; we have not sufficiently regarded the increase of inequalities in property and income, the inadequacy of the life-conditions of the laboring classes and the emerging of their class consciousness. Reform is necessary not as a revision of the older measures nor as an overturning of all existing conditions, but as the development of an already existing beginning in social order which will adjust conflicting needs, especially through the energizing of the civic power in all divisions of industrial action. But a constantly increasing portion of the folk should be called to share in all the higher goods of civilization, of culture,

¹ Oppenheim, in *Nationalzeitung*, December, 1871: "Manchesterschule und Kathedersozialismus," published later as a pamphlet under the title: *Der Kathedersozialismus*.

² Cf. Dr. Else Conrad, *Der Verein für Sozialpolitik*, 1906, 1. u. 2. Kap.

and of well-being, as the ideal toward which in all this we must strive. Among current questions, the congress should discuss that of lockouts, of trade unions, factory legislation, and the housing question.

Among the older representatives of national economy who took part in the discussions and the summoning of the congress were Roscher, Hildebrand, Knies, Ad. Wagner, Conrad, Knapp, Brentano, Schmoller, Mithoff, and Nasse. Besides these Cohn, Held, Neumann, von Scheel, and Schönberg took part in the congress. Among those not present the most eminent were Stein and Schäffle, who were connected throughout their whole literary past with the new movement. It was clear that German national economic science stood completely upon the ground of social economy. One year after the congress at Eisenach, it created for itself a rallying-point in the Verein für Sozialpolitik, which since that time has performed important services in the investigation of social conditions and in the discussion of reforms to be attempted.¹ In correspondence with the program proposed for the session at Eisenach the work of the Verein was always planned to include preparation for the discussion of special concrete questions in an objective way through a previous determination of facts, and the expression of opinion on the part of the various interested parties and observers; and it was the program to carry out the discussion in a scientific way. The Verein represented and still represents consequently not a fixed doctrine of social reform, and as little have the representatives of national economic science met upon a definite program. The socio-political ideas are not, like the economico-political ideas of liberalism, demands upon the basis of a simple and unitary principle. They rest upon recognition of the necessity of positive activity, not only on the part of individuals, but on the part of all the societary organs and powers. But many qualities and directions of these activities are appraised in different proportions. Even when there is considerable agreement upon fundamental questions, there is nevertheless variety of judgments about special problems of practical politics. The most fundamental differences of opinion about

¹ Cf. Else Conrad, *Der Verein für Sozialpolitik und seine Wirksamkeit auf dem Gebiete der gewerblichen Arbeiterfrage*, 1906.

principle, aim, and limit of social polity when questions arise about the attitude of the individual toward the state, about the consequences which follow from the fundamental principles of freedom and equality, about the ways and means of distributing income, about the value of the different occupational strata, productive organizations, classes, etc. Foundation-laying discussions of this sort are not numerous, yet Schäffle, Ad. Wagner, and Schmoller have worked upon them. With one accord, in spite of the various divergences upon details, they have endeavored to show that civilization and progress in society depend upon perception by the individual that he is not an end unto himself, but merely a member of the community. The supreme purpose moreover of the economic processes is the highest moralization of the community which in its complex articulation strives after the perfecting of the life of all. The process of the creation of income and property in the service of this purpose, through production and business, does not acknowledge the highest individual enjoyment, nor the enjoyment of any particular class, as its supreme principle, but it posits as the end the highest possible proportional and permanent aggregate satisfaction of the historically given society. This purpose, however, cannot be attained without the limitation of individual freedom, without civic constraint, without a complicated legal order, a complexity of societary organs with positive functions. Schäffle and Wagner had represented these ideas in their systems during the seventies, and especially Wagner had devoted a thorough discussion to the bases of economic theory so understood.¹ Schmoller had an opportunity to declare himself on this matter when he defended himself against the attacks

¹ Schäffle, *Das gesellschaftliche System der menschlichen Wirtschaft*, 3. Aufl., 1873; Ad. Wagner, *Allgemeine oder theoretische Volkswirtschaftslehre*, Erster Theil, Grundlegung, 2. Aufl., 1879 (3. Aufl., 1892-94). The philosophical foundation for social policy proposed by Ahrens and Röder is today still standard with the Catholic writers. Cf. Freiherr von Hertling, *Kleine Schriften zur Zeitgeschichte und Politik*, 1897 (especially pp. 248 f., on *Naturrecht und Sozialpolitik*); Franz Walter, *Sozialpolitik und Moral*, 1899; Pesch, *Lehrbuch der Nationalökonomie*, 1. Bd., Grundlegung, 1905. These writers are particularly inclined to emphasize the organic articulation of society through which social politics derives an enlarged content. Hertling designates as its task the guiding, assistance, and conciliation of the various social circles by means of the state and in the interest of the civic community. *Op. cit.*, p. 254.

of Treitschke upon the socialists of the chair.¹ In this defense Schmoller gave an account of the change which had taken place in the conception of the task of the science with respect to industrial phenomena, and at the same time he drew the base-line of the most general task of social reform. He indicates the progress and deepening of the science as compared with the older historical school which was the first to oppose the idea of a constant and normal form of industrial organization superior to the limitations of time and space. This was only a partial insight. The whole nature of industry is comprehended only when we perceive that the external natural technical facts of economic development are highly important, to be sure, but not the only decisive conditions for the form of industrial organization. Custom and law always co-operate, so that industry is always a product of the co-operation of natural and societal causes. Societary order, moral ideas, the legal institutions are not, however, constant factors, but they are dependent always upon the total civilization, upon culture and education, hence no individual and no class can raise a claim to the permanence of a given legal order. Rather does social progress consist in the fact that the principle of justice transforms existing law and so orders societal conditions that merit and power, performance, possession, and income, the societal value and the social position of men tend more and more to correspond. Our time has been responsible for much industrial wrong through industrial changes. It is our problem to remove this wrong by that kind of social reform the aim of which consists in restoration of harmonious relations between social classes, in elimination or mitigation of the wrong, in closer approximation to civic justice, in creation of a social legislation which shall guarantee a progress that shall include the moral and material uplifting of the lower and middle classes.

With this conception national economy is lifted far above the scope of the task which was assigned to it as the theory of the

¹ Treitschke's monograph was entitled, "Der Sozialismus u. seine Gönner," *Preuss. Jahrbücher*, 1874. Schmoller's reply was published in the *Jahrbuch f. Nationalök. u. Statistik*, Bd. XXIII, 1874, and separately as a monograph in 1875. Schmoller's fundamental views were expressed also in a later essay on justice in national industry in the *Jahrbuch f. Gesetzgebung u. Volkswirtschaft*, 1880 (cf. *Zur Sozial- u. Gewerbepolitik*, 1890, p. 204); further in his *Grundriss der allgemeinen Volkswirtschaftslehre*.

economic relationships of men by the founders of the science. It has become that which in the forties, in the presence of the new and strange phenomena in the life of people, was demanded; namely, a science of society (*Gesellschaftswissenschaft*). Whoever undertakes to comprehend the whole complex reality in industry must, in fact, investigate the life-conditions and life-manifestations of "society," and this is the significance of the infusion of the socio-political ideas into the literature of national economy; that is, the result has been this expansion of view. Moreover historical experience and the basing of industrial institutions upon a juridical philosophy have significance only from the standpoint of societary science. For the economic factor considered in itself is in fact something constant in time and space, it shows the dependence of men upon quantities of goods. The limited expanse of the world of goods that are controllable or attainable in proportion to the unlimited scope of desire calls forth an industrial attitude among men which leads to a regular kind of conduct on the basis of exhibits of values which are determined by the psychological nature of man, and in their essence are always alike. It was this fact which came to the fore in the classical national economy and its theory. It must have consideration as a recognition of permanent value, for it shows us the bounds which are set to all the societary influences and to all moral volition. But it shows us nevertheless only the operation of a single condition of societary life. How the relationships of men shape themselves within these bounds is no longer dependent upon economic appraisal, it is rather a consequence of the moral ordering of life. To have shown this and to have made it a basis of the actions of men in society and in the state is the merit of that change which has been brought about through the infusion of the socio-political ideas into national economy. New tasks are therewith assigned to the science which the older science did not recognize. From a mere theory of industry it becomes a social theory. Its task is no longer merely to describe the simple correlation between goods and active self-interest. Its business is now to recognize this interdependence as also both cause and effect of other occurrences; and consequently its duty is to understand the course of industry under the influence of nature and of moralization in order that we may learn to control it.